

SOUTHWEST IOWA MENTAL HEALTH CENTER
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2014 AND 2013

SOUTHWEST IOWA MENTAL HEALTH CENTER

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SOUTHWEST IOWA MENTAL HEALTH CENTER
Officials
June 30, 2014

<u>Board of Directors:</u>	<u>Address</u>	<u>Term Expires</u>
Marie Rourick, President	Wiota, Iowa	September, 2014
Julie Gade, Vice-President	Atlantic, Iowa	September, 2014
Mary Jo Blunk, Secretary-Treasurer	Atlantic, Iowa	September, 2016
Maynard Hansen	Wiota, Iowa	September, 2015
Jerry Putnam	Griswold, Iowa	September, 2015
Mark Wedemeyer	Atlantic, Iowa	September, 2016
Roger Herring	Atlantic, Iowa	September, 2014
Carolyn Groves	Massena, Iowa	September, 2015

Executive Director:

John Bigelow	Atlantic, Iowa
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Gronewold, Bell, Kyhnn & Co. P.C.

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DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southwest Iowa Mental Health Center
Atlantic, Iowa

Report on the Financial Statements

We have audited the accompanying statements of financial position of Southwest Iowa Mental Health Center as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America: this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Iowa Mental Health Center as of June 30, 2014 and 2013, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Southwest Iowa Mental Health Center

Other Matters

Emphasis of a Matter

The accompanying financial statements have been prepared assuming the Center will continue as a going concern. As indicated in Note E, the Center's continued existence is dependent on cooperation of a related entity. Should the cooperation be discontinued, it would have a significant impact on the Center's financial position and cash flows. The financial statements do not include any adjustments that might result from the outcome of the uncertainty.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southwest Iowa Mental Health Center's basic financial statements. The supplementary information on pages 1 and 15 through 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2014 on our consideration of Southwest Iowa Mental Health Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Gmewald, Ben, Kuhn & Co. P.C.

Atlantic, Iowa
October 8, 2014

SOUTHWEST IOWA MENTAL HEALTH CENTER
Statements of Financial Position
June 30,

ASSETS

	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash	\$ 594,707	\$ 523,918
Client receivables, less allowances for doubtful accounts and contractual adjustments (\$273,500 in 2014 and \$261,500 in 2013)	97,091	107,004
Other receivables	84,131	68,161
Estimated third-party payor settlements	150,000	210,000
Prepaid expense	<u>1,717</u>	<u>1,697</u>
Total current assets	927,646	910,780
Property and Equipment, Net	59,312	69,684
Other Asset:		
Investment in IBHN	<u>40,000</u>	<u>--</u>
Total assets	<u>\$ 1,026,958</u>	<u>\$ 980,464</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 1,377	\$ 3,132
Accrued employee compensation	33,965	41,308
Due to Cass County Memorial Hospital	<u>882,327</u>	<u>826,735</u>
Total current liabilities	917,669	871,175
Net Assets:		
Unrestricted	<u>109,289</u>	<u>109,289</u>
Total liabilities and net assets	<u>\$ 1,026,958</u>	<u>\$ 980,464</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Statements of Activities and Changes in Net Assets
Year ended June 30,

	<u>2014</u>	<u>2013</u>
Changes in Unrestricted Net Assets:		
Support and Revenue:		
Support:		
Support from Cass County, Iowa	\$ 10,000	\$ 10,000
Grants	32,610	32,731
Hospital tax revenue	<u>158,299</u>	<u>131,981</u>
Total support	200,909	174,712
Revenue:		
Client fees, net	1,460,922	1,352,964
Contracted services from Hospital	267,174	309,861
Other revenue	<u>23,296</u>	<u>1,134</u>
Total revenue	<u>1,751,392</u>	<u>1,663,959</u>
Total Support and Revenue	1,952,301	1,838,671
Expenses:		
Staff salaries and benefits	344,732	432,728
Contracted staff and benefits	1,409,156	1,253,376
Other expenses	125,118	122,317
Provision for depreciation	<u>11,756</u>	<u>11,773</u>
Total expenses	<u>1,890,762</u>	<u>1,820,194</u>
Operating Income (Loss)	61,539	18,477
Other Support and Gains (Reductions):		
Hospital deficit funding (refunding)	(63,264)	(18,593)
Contributions	50	--
Interest income	210	116
Capital grant	<u>1,465</u>	<u>--</u>
Other support and gains (reductions), net	<u>(61,539)</u>	<u>(18,477)</u>
Increase in Unrestricted Net Assets	--	--
Net Assets, Beginning of Year	<u>109,289</u>	<u>109,289</u>
Net Assets, End of Year	<u>\$ 109,289</u>	<u>\$ 109,289</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Statements of Cash Flows
Year ended June 30,

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from clients, third party payors, contracting agencies, and public support	\$ 1,815,335	\$ 1,879,531
Cash paid to suppliers and employees	(1,787,497)	(1,584,313)
Interest income	210	116
Grant received	34,075	32,731
Contributions	50	--
Cash received for hospital support	<u>50,000</u>	<u>50,000</u>
Net cash provided by operating activities	112,173	378,065
Cash flows from investing activities:		
Cash paid for investment	(40,000)	--
Capital expenditures	<u>(1,384)</u>	<u>(4,709)</u>
Net cash used in investing activities	(41,384)	(4,709)
Net increase in cash	70,789	373,356
Cash beginning of year	<u>523,918</u>	<u>150,562</u>
Cash end of year	<u>\$ 594,707</u>	<u>\$ 523,918</u>

(continued next page)

SOUTHWEST IOWA MENTAL HEALTH CENTER
Statements of Cash Flows - Continued
Year ended June 30,

	<u>2014</u>	<u>2013</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ --	\$ --
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	11,756	11,773
Change in assets and liabilities		
Accounts receivable	(6,057)	(14,428)
Estimated third-party payor settlements	60,000	220,000
Prepaid expense	(20)	(947)
Accounts payable	(1,755)	(1,827)
Accrued employee compensation	(7,343)	(16,672)
Due to Cass County Memorial Hospital	55,592	180,166
Total adjustments	<u>112,173</u>	<u>378,065</u>
Net cash provided by operating activities	<u>\$ 112,173</u>	<u>\$ 378,065</u>

Non-Cash Transactions:

The Center also incurred the following non-cash transactions in addition to the transactions reflected in the reconciliation of change in net assets to net cash provided by operating activities:

	<u>2014</u>	<u>2013</u>
Non-cash support from Hospital	<u>\$ 45,035</u>	<u>\$ 63,388</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2014 and 2013

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Nature of Activities

The Southwest Iowa Mental Health Center is an Iowa not-for-profit corporation operating under Chapter 230A of the Code of Iowa and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Center is established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. The Board of Directors serve three year terms and are selected by the existing Board.

The Organization received \$525,606 of revenue from Cass County in 2014 (\$529,298 in 2013). In addition, the Center received a significant portion of its revenue through an agreement with Cass County Memorial Hospital as indicated in Note E.

2. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liability is incurred. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Client Receivables

Client receivables are shown at the amount expected to be collected from clients and other third-party payors. The allowance for doubtful accounts is based on an aging of all the individual client balances. The allowance for contractual adjustments is based on the difference between the Center's normal fees and expected program payments.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2014 and 2013

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Property and Equipment

Property and equipment is stated at cost. The Center computes depreciation on buildings, equipment, land improvements and vehicles using the straight-line method. Lives range from twenty-five to forty years for land improvements and buildings, five to ten years for equipment and three years for vehicles.

6. Support and Revenue

- a. Fees from clients are recorded at list price with adjustments based upon ability to pay and government program limitations deducted to arrive at net fees from clients.
- b. Support from Cass County includes a predetermined amount based on the Center's annual budget.
- c. Grant revenues are for specific programs provided by the Center and are recognized as income when grant requirements have been satisfied.

7. Charity Care

The Center provides care to clients who meet certain criteria under its charity care policy at amounts less than its regular rates. Revenue from services to these clients is recorded as indicated in 6. above. These reductions are recorded as adjustments to fees from clients.

8. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, including amounts limited as to use.

9. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68 "*Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27.*" This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Financial Position is expected to include a significant liability for the Center's proportionate share of the Iowa Public Employees Retirement System pension plan.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2014 and 2013

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicaid - Certain services are paid based on a cost reimbursement methodology. The Center is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Center and audits thereof by the fiscal intermediary. The Center's Medicaid cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2013. Finalized cost reports are subject to re-opening by the intermediary.

The Center also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

NOTE C - FAIR VALUE MEASUREMENTS

The Center's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs are unobservable and have the lowest priority. The Center uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Center measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 1 or 2 inputs were available to the Center, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 3 Fair Value Measurements

The investment in Iowa Behavioral Health Network (IBHN) will result in the Center having access to a credentialing and billing and collections service. The investment in IBHN is not actively traded and significant other observable inputs are not available. The fair value of the investment in IBHN is based on book value. Management believes this value approximates current fair value.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2014 and 2013

NOTE C - FAIR VALUE MEASUREMENTS - Continued

The following tables set forth, by level within the fair value hierarchy, the Center's investments at fair value as of June 30, 2014:

<u>June 30, 2014</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using: Significant Unobservable Inputs (Level 3)</u>
Investment in IBHN	\$ 40,000	\$ 40,000

The following tables reconcile the beginning and ending balances of fair value measurements for the Center's level 3 assets using unobservable inputs for the years ended June 30, 2014:

<u>June 30, 2014</u>	
Beginning balance	\$ --
Investment in IBHN	<u>40,000</u>
Ending balance	<u>\$ 40,000</u>

NOTE D - PROPERTY AND EQUIPMENT

The cost and related accumulated depreciation by major category at June 30 are as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,689	\$ 1,689
Land Improvements	59,948	59,948
Buildings	162,524	161,140
Furniture and Equipment	<u>115,164</u>	<u>115,164</u>
	339,325	337,941
Less Accumulated Depreciation	<u>(280,013)</u>	<u>(268,257)</u>
	<u>\$ 59,312</u>	<u>\$ 69,684</u>

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2014 and 2013

NOTE E - COMMITMENT, RELATED PARTY, AND ECONOMIC DEPENDENCY

The Center participates in a sharing agreement with Cass County Memorial Hospital, pursuant to Chapter 28E of the Iowa Code, to deliver mental health services in the area. Under the agreement, the Mental Health Center purchases all non-physician services necessary for the Center's operations from the Hospital. Tax funds collected by the Hospital for a portion of the cost of the Center's non-physician personnel result in credits of \$158,299 at June 30, 2014 (\$131,981 at June 30, 2013) being passed through to the Center. These credits are recorded as Hospital support on the Statements of Activities and Changes in Net Assets. These credits represent non-cash transactions for purposes of the Statements of Cash Flows. The Hospital purchases all mental health physician services necessary for its inpatient operation from the Center.

During the year ended June 30, 2014, the Center received additional operating cash of \$50,000 (\$50,000 for 2013) from the Hospital to fund the operations of the Center. At June 30, 2014, the Center had a net income of \$63,264 (net income of \$18,593 at June 30, 2013) without the Hospital's funding which was recorded as Hospital deficit funding on the Statement of Activities and Changes in Net Assets. Any unused operating cash or additional deficit funding is included in or reduced from the amount owed by the Center to the Hospital.

The Center incurred losses each year between 1995 and 2007 and between 2010 and 2012. In each of the years the Hospital funded the losses of the Center. The survival of the Center remains dependent on its ability to generate profits in the future years, and the cooperation of Cass County Memorial Hospital. Should the Hospital decide to discontinue its support, the Center's survival would be in serious doubt.

Below is a summary of the activity and year end amounts due under the agreement with the Hospital:

	June 30,	
	2014	2013
Mental Health Center revenue from Hospital for physicians	\$ 267,174	\$ 309,861
Support and net deficit funding	\$ 95,035	\$ 113,388
Mental Health Center expense for personnel costs	\$ 1,396,100	\$ 1,244,795
Mental Health Center expense for insurance	\$ 14,188	\$ 13,041
Owed by Mental Health Center to Hospital	\$ 882,783	\$ 826,735

The financial arrangements for the 2014-2015 year are based on the budgeted needs of each entity. The Hospital has agreed to pay the Mental Health Center approximately \$285,000 for physician services; and, the Center agreed to pay the Hospital approximately \$1,800,000 for non-physician services. Future financial arrangements will be determined annually based on a review of actual operations and needs.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2014 and 2013

NOTE F - FUNCTIONAL EXPENSES

Following is a summary of expenses classified by function:

	<u>2014</u>	<u>2013</u>
Client Services	\$ 1,760,187	\$ 1,693,314
Management and General	<u>130,575</u>	<u>126,880</u>
	<u>\$ 1,890,762</u>	<u>\$ 1,820,194</u>

NOTE G - PENSION AND RETIREMENT BENEFITS

The Center contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual salary and the Center is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by State statute. The Center's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were approximately \$25,000, \$29,000, and \$26,500, respectively, equal to the required contributions for each year.

NOTE H - CONTINGENCIES

Risk Management

The Center is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. Southwest Iowa Mental Health Center is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage for the past three years.

Off-Balance Sheet Risk

The Center maintains its deposits at one bank in the area. At various times throughout the year and at year end, the deposits in the bank accounts exceeded insured deposit limits for one entity (by approximately \$361,000 at year end). Management of the Center has received no indication of any potential viability problems with the bank by the date of this report.

Subsequent Events

The Center has evaluated all subsequent events through October 8, 2014, the date the financial statements were available to be issued.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Notes to Financial Statements
June 30, 2014 and 2013

NOTE I - CONCENTRATION OF CREDIT RISK

The Center grants credit without collateral to its clients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2014 and 2013, was as follows:

	<u>2014</u>	<u>2013</u>
Medicare	11%	23%
Medicaid	32	16
Other third-party payors	28	36
Patients	<u>29</u>	<u>25</u>
	<u>100%</u>	<u>100%</u>

* * *

SUPPLEMENTARY INFORMATION

SOUTHWEST IOWA MENTAL HEALTH CENTER
Service Revenue - Client Fees
Year ended June 30,

	2014			2013
	Gross	Adjustments	Net	Net
3rd Party Insurance	\$ 595,546	\$ 211,308	\$ 384,238	\$ 434,214
Medicare	427,310	267,329	159,981	123,439
Title XIX	784,100	281,725	502,375	469,261
Case Management	398,178	--	398,178	307,766
*Others	17,823	1,673	16,150	18,284
	<u>\$ 2,222,957</u>	<u>\$ 762,035</u>	<u>\$ 1,460,922</u>	<u>\$ 1,352,964</u>

* Includes consultation fees.

See Independent Auditor's Report.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Operating Expenses
Year ended June 30,

	<u>2014</u>	<u>2013</u>
Program and Administrative Service Expenses:		
Professional staff salaries	\$ 272,733	\$ 344,790
Retirement benefits	132,348	120,750
Other employee benefits	285,635	267,974
Contracted support staff	260,352	266,924
Contracted professional staff	802,820	685,666
Professional fees	12,690	12,943
Operating supplies	17,694	23,814
Telephone	5,811	5,554
Postage	3,725	3,750
Utilities	8,429	7,554
Repairs and maintenance	14,484	20,955
Business insurance	2,100	1,630
Travel reimbursement	16,294	11,304
Conferences, conventions and meetings	8,074	6,067
Subscriptions	2,464	656
Organization dues	15,275	15,356
Rent	12,000	8,000
Public relations and miscellaneous	<u>6,078</u>	<u>4,734</u>
	1,879,006	1,808,421
Provision for Depreciation	<u>11,756</u>	<u>11,773</u>
Total Operating Expenses	<u>\$ 1,890,762</u>	<u>\$ 1,820,194</u>

See Independent Auditor's Report.

SOUTHWEST IOWA MENTAL HEALTH CENTER
Schedule of Gross Charges and Adjustments for Client Services
Year ended June 30, 2014

Client accounts receivable July 1, 2013		\$ 368,504
Gross charges for client services	\$ 2,222,957	
Adjustments to client fees	(762,035)	
Increase in allowance for doubtful accounts and contractual adjustments	12,000	
Decrease in cost report settlements	<u>60,000</u>	
Total adjustments on client fees	<u>(690,035)</u>	
Net charges for client services		1,532,922
Less: Payments received for client services		<u>(1,530,835)</u>
Client accounts receivable June 30, 2014		<u>\$ 370,591</u>

See Independent Auditor's Report.

SOUTHWEST IOWA MENTAL HEALTH CENTER
 Clients Served - Distribution by County
 Year ended June 30,

<u>County</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cass	1,077	811	807	846
Audubon	151	123	117	111
Shelby	170	107	81	92
Montgomery	77	78	75	59
Pottawattamie	80	112	89	70
Other	442	396	211	157
	<u>1,997</u>	<u>1,627</u>	<u>1,380</u>	<u>1,335</u>

<u>Year Ended June 30,</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Center operating expense per client served:	<u>\$ 947</u>	<u>\$ 1,119</u>	<u>\$ 1,235</u>	<u>\$ 1,128</u>
Net fees from clients per client served:	<u>\$ 732</u>	<u>\$ 832</u>	<u>\$ 828</u>	<u>\$ 765</u>

See Independent Auditor's Report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Directors
Southwest Iowa Mental Health Center
Atlantic, Iowa

We have audited the financial statements of Southwest Iowa Mental Health Center as of and for the year ended June 30, 2014, and have issued our report thereon dated October 8, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Iowa Mental Health Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Southwest Iowa Mental Health Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Center's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Directors
Southwest Iowa Mental Health Center

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 14-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Iowa Mental Health Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Response to Finding

Southwest Iowa Mental Health Center's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Center's response, we did not audit the Center's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gmeisall, Ben, Kyhn & W. P. C.

Atlantic, Iowa
October 8, 2014

SOUTHWEST IOWA MENTAL HEALTH CENTER
Schedule of Findings
Year ended June 30, 2014

PART I - SIGNIFICANT DEFICIENCIES

14-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Center. This deficiency is common among most small organizations.

Recommendation: We recognize that it may not be economically feasible for the Center to contract or employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Center to contract or employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

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